

## Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 L-03 H-02 AID-05 CIAE-00 COME-00

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R 301731Z JUN 75

FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC 8463

LIMITED OFFICIAL USE SAN SALVADOR 2583

E.O. 11652: N/A

TAGS: EAGR, ETRD

SUBJECT: HOUSE SUGAR HEARINGS

REF: STATE 141876

1. OUR ANSWERS TO QUESTIONS RAISED IN REFTEL ARE AS FOLLOW:

A) CURRENT PRODUCTION COST FORRAW SUGAR EX MILL IS ESTIMATED AT US NINE TO TEN CENTS PER POUND.

B) RETAIL PRICE FOR REFINED SUGAR IS US TEN CENTS PER POUND.

C) CENTRAL BANK DATA INDICATE AVERAGE UNIT VALUE FOR 1974 SUGAR EXPORTS OF US THIRTEEN CENTS PER POUND; HIGHEST EXPORT PRICE WAS ABOUT US FIFTY CENTS.

D) THE MINISTRY OF AGRICULTURE HAS MADE FOLLOWING ESTIMATES FOR PERIOD 1974-75 TO 1979-80:

YEAR	PRODUCTION METRIC TONS	CONSUMPTION	AVAILABLE FOR EXPORT
1974-75	256,757	101,105	155,652
1975-76	272,232	108,936	163,296
1976-771/	340,290	117,188	223,102
1977-78	349,364	125,910	223,454
1978-79	358,439	135,124	223,315
1979-80	362,976	144,583	218,393

1) PERIOD 1977-1980 INCLUDES ESTIMATES FOR THREE NEW MILLS.

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E) EXPANSION OF PRODUCTION CAPACITY COMES FROM THREE MILLS EITHER UNDER CONSTRUCTION OR BEING PLANNED. JIBOA MILL ESTIMATE VARIES AS TO COST, BUT SHOULD BE ABOUT US\$30 MILLION (INCLUDING REFINERY). INITIAL CAPACITY IS 3,500 ST OF CANE DAILY, A FIGURE TO BE INCREASED TO 6,400 ST WITHIN TWO YEARS OF OPENING. PLANS ARE TO HAVE THIS MILL OPERATIONAL BY JANUARY 1977.

AT TWO PRIVATELY-OWNED MILLS ARE PLANNED FOR THE 1976-77 HARVEST, BUT IT APPEARS THAT 1977-78 IS MORE LIKELY. AZUCARERA DEL PACIFICO IN THE DEPARTMENT OF USulután WILL HAVE A CAPACITY OF 3,000 ST OF CANE DAILY, BUT PLANS ARE TO OPERATE AT ONLY ABOUT 50 PERCENT OF CAPACITY FOR SOME TIME. INVESTMENT IS ESTIMATED AT ABOUT US\$12 MILLION; EQUIPMENT WILL COME FROM FRANCE. THE LA LABOR MILL IN AHUACHAPAN IS ALSO TO HAVE A CAPACITY OF 3,000 ST OF CICE DAILY. INVESTMENT HERE SHOULD BE US\$4 TO 5 MILLION AS MUCH OF THE EQUIPMENT WILL BE PURCHASED USED. THIS MILL SHOULD ALSO OPERATE AT ONLY ABOUT 50 PERCENT OF CAPACITY.

F) ESTIMATED GROWTH OF DOMESTIC CONSUMPTION IS 7 TO 8 PERCENT ANNUALLY.

G) NEITHER THE GOES NOR THE PRIVATE SECTOR HAS ENTERED INTO LONG TERM EXPORT COMMITMENTS.

H) THE GOES ESTABLISHES QUOTAS FOR DOMESTIC CONSUMPTION, ASSIGNING EACH MILL A SHARE OF THE MARKET. THE GOVERNMENT ALSO ESTABLISHES DOMESTIC PRICES FOR SUGAR AND MARKETS REFINED SUGAR THROUGH THE SALES OUTLETS OF ITS PRICE STABILIZATION AGENCY. THAT SUGAR NOT SET ASIDE FOR DOMESTIC CONSUMPTION MAY BE EXPORTED WITHOUT RESTRICTION.

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## Message Attributes

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